

VZCZCXYZ0002  
RR RUEHWEB

DE RUEHLP #1078 1101813  
ZNR UUUUU ZZH  
R 201813Z APR 06  
FM AMEMBASSY LA PAZ  
TO RUEHC/SECSTATE WASHDC 8925  
INFO RUEHAC/AMEMBASSY ASUNCION 5777  
RUEHBO/AMEMBASSY BOGOTA 3065  
RUEHBR/AMEMBASSY BRASILIA 6930  
RUEHBU/AMEMBASSY BUENOS AIRES 4171  
RUEHCV/AMEMBASSY CARACAS 1471  
RUEHPE/AMEMBASSY LIMA 1435  
RUEHME/AMEMBASSY MEXICO 1685  
RUEHMN/AMEMBASSY MONTEVIDEO 3727  
RUEHQT/AMEMBASSY QUITO 4113  
RUEHSG/AMEMBASSY SANTIAGO 8658  
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC  
RUEANHA/FAA NATIONAL HQ WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS LA PAZ 001078

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STATE FOR EB/TRA JHORWITZ AND EB/TRA/OTP BMATTINGLEY  
STATE ALSO FOR WHA/AND LPETRONI  
STATE PASS TO FAA FOR CCAPESTANY  
STATE PASS TO DOT FOR CCOLDREN  
COMMERCE FOR JANGLIN

E.O. 12958: N/A  
TAGS: [FAIR](#) [ECON](#) [PGOV](#) [BL](#)  
SUBJECT: BOLIVIA'S TROUBLED AVIATION SECTOR

REF: LA PAZ 913 (AND PREVIOUS)

11. (U) Summary: Lloyd Aero Boliviano's crisis continues, but it is not alone in its troubles. The carrier's principal competitor, AeroSur, is rumored to be struggling with its own financial problems, and civil and military airlines only narrowly avoided serious accidents over the weekend. Taken together, current difficulties and near disasters may indicate growing weaknesses in Bolivia's aviation sector. End summary.

12. (U) Lloyd Aero Boliviano continues to teeter on the brink of collapse (reftels). Flight cancellations and rapidly falling revenues have made it almost impossible for Lloyd to buy fuel, and many suspect the airline may be forced to suspend all operations. In a last-ditch attempt to save the carrier, its pilots' union recently proposed that employees buy all shares belonging to chief executive Ernesto Asbun and take control of the airline, but workers have been unable to raise the \$1.5 million needed for the transaction. GOB officials have repeatedly declined pilots' requests for assistance, refusing to fund the share purchase or to assume liability for Lloyd's estimated \$170 million debts. While those involved struggle to find a solution, the fate of Lloyd's 2,200 hangs in the balance.

13. (SBU) Lloyd's principal competitor, AeroSur, is rumored to be struggling with its own financial problems. The carrier reportedly owes the Bolivian superintendent of transport more than \$620,000 in unpaid regulatory fees and has failed to meet pension fund obligations totaling \$310,000. What's more, outstanding trade complaints indicate the company may owe as much as \$400,000 to U.S. parts and equipment suppliers. Industry observers say AeroSur has a history of financial problems.

14. (U) Meanwhile, civil and military airlines only narrowly avoided serious accidents over the weekend. A small aircraft owned by Amazonas, a carrier serving niche markets in remote

locations, crash landed outside La Paz on April 14, and a plane operated by Transportes Aereos Militares (TAM), a carrier associated with the Bolivian Air Force, experienced similar problems on April 16. Investigators have not determined the cause of the difficulties.

15. (SBU) Comment: Taken together, current difficulties and near disasters may indicate growing weaknesses in Bolivia's aviation sector. Both leading carriers are struggling, and Lloyd seems increasingly close to collapse. Its troubles have left thousands of passengers stranded and scattered exporters' merchandise on runways across the country, forcing some businessmen, including a leading apparel manufacturer, to truck cargo across Bolivia and into Chile for shipment to the United States. Lloyd's continuing crisis seems to reflect deeper problems, not least a possible decline in maintenance standards, which should worry domestic and international observers alike. End comment.  
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